

7 December 1970

SUBJECT: Talking Paper. [REDACTED]

A. SITUATION

The first month of the Allende regime was spent by the government in completing the staffing of the second echelon jobs in the Ministries and provincial areas, preparing specific economic programs based on the UP campaign promises, and continuing the investigation of the assassination of General Rene Schneider. In the foreign affairs field, the new government established diplomatic relations with Cuba and established trade relations with North Korea. Meanwhile the press of the Popular Unity parties attacked the United States Government and U. S. private businesses in increasingly harsh terms. Officials of the Allende government, however, were cautious in making public statements about future relations with the USG. At the same time Allende began to carry out his campaign pledges to nationalize basic industries and to control private foreign investment in Chile.

On the political front, Allende's and the Communist plans to buttress leftist forces within the PDC and thus obtain PDC support for crucial legislative proposal ran into difficulty. Their hope that the Tomic faction would triumph at next PDC Junta (12-13 December) is now fading. Most PDC leaders predict Frei will control the Junta. Moreover, PDC support for Allende in the congressional runoff has not guaranteed that the new government will continue to have PDC support in Congress. A Communist led strike at an important PDC publishing company threatens to bankrupt the company. As a result PDC legislators are marshaling their forces and may oppose Allende's budget proposal and a plan for nationalizing all banking facilities.

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